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## Farm Incomes in the Southeast in Relation to Cost of Medical Care <sup>1/</sup>

The disparity between adequate medical care and the care received by most farm families in the Southeast is generally realized. One measure of the disparity is the rate of rejection of men of draft age by the military services. While these rejections should not be taken as a direct measure of the proportion of persons who would be unduly handicapped in civilian life, they certainly give a comparative measure of health conditions in different states. The following proportions do not include persons who were not accepted for induction. They include only those who were discharged for physical disabilities within a few months after induction.

	<u>South</u>		<u>North</u>
Alabama	21 percent	Indiana	13 percent
Florida	22 "	Iowa	8 "
Georgia	25 "	Kansas	11 "
South Carolina	26 "	Pennsylvania	15 "
Mississippi	18 "	Utah	11 "

A fundamental cause of inadequate medical care in the Southeast is the low incomes which are usual for farm families throughout the region. Doctors and dentists are concentrated in the parts of the country where there are enough persons with high incomes to pay for their services. It has often been said that the indigent and the rich get the best care while the middle class is penalized. This might be true in an area with an adequate number of physicians and hospitals and a small proportion of poor people. It cannot be true where the majority of the people do not make enough to pay for good medical care and where the number of doctors and hospitals is inadequate.

What is the cost of adequate medical care? There are several answers to this question, depending on the type of services considered necessary for "adequate" care and the manner in which they are to be provided. The Committee on Costs of Medical Care estimated that adequate medical and dental care could be provided at an average annual cost of about \$125 per family under conditions of group practice. This estimate, made in 1933, should probably be raised to about \$150 to reflect present costs <sup>2/</sup>. Figures based on minimum fee-for-service schedules are much higher. Samuel Bradbury estimates that adequate medical care for diagnosis and treatment of disease and for preventive care would cost about \$310 per family. This estimate excludes the cost of dentistry, drugs, medicines, and supplies. <sup>3/</sup> The cost of medical and dental treatment in the experimental county-wide associations sponsored by and subsidized through the Farm Security Administration has been approximately \$50 per family. These associations provide

<sup>1/</sup> Prepared by Dudley E. Young, Bureau of Agricultural Economics, Atlanta, Ga.

<sup>2/</sup> Interim Report No. 3, Subcommittee on Wartime Health and Education, Committee on Education and Labor, U. S. Senate, 78th Congress, 2nd Session, 1945.

<sup>3/</sup> Bradbury, Samuel, "The Cost of Adequate Medical Care," University of Chicago Press, p. 65, 1937.







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varying degrees of therapeutic care but, in general, there is almost no preventive medicine furnished, complete dental care is limited to members under 13 years of age, and the amount of hospitalization per year per family is restricted. The cost of this care to the association is based on the incomes received by the physicians prior to the establishment of the program. Association funds are paid to the doctors on the basis of bills rendered by them for each service performed for members of the association.

What proportion of its living expenses does the average family devote to medical care? This is an easier question to answer than the preceding one. Medical care is 7 to 8 percent of the living expense budget for low and middle income families. There is, of course, no pretense that the care provided is adequate. Families making \$250 to \$500 a year spend 8 percent on medical care; families making \$1000 to \$3000 pay 7 percent of their living expenses for medical care. 4/

If farm families devoted 8 percent of their living expenses to medical care, what proportion of them would have large enough incomes to spend \$50 a year per family? Since \$50 is 8 percent of \$625, the answer would be found in the proportion of families having net incomes of \$625 or more. There is no direct measure of farm family incomes available for all families in the Southeast. An indirect measure is furnished by the proportion of farms which received more than \$600 as the total value of farm products sold, traded, or used by farm households. This figure is:

	<u>Percent over \$600</u>
Alabama	24
Florida	39
Georgia	42
Mississippi	27
South Carolina	46

There are various limitations to using these proportions as a direct indication of the percentage of farm families unable to pay for adequate medical care. On the one hand, the value of farm products does not include such important items of income as the rental value of the house lived in by the farmer and government benefit payments made to him. On the other hand, and even more important, no deduction has been made for operating expenses such as the cost of fertilizer, feed, machinery, and so forth, and no deduction has been made in the case of tenants for the rent paid by them. (Rentals would be expected to amount to from one-fourth to one-half of the income received from sale of farm products.) It would appear that the figures given are a liberal estimate of the proportion of farm families receiving more than \$625 a year for living expenses. Hence, it is evident that from one-half to three-fourths of the farm families have such low incomes that they cannot pay for even the limited care which might be available for \$50 per family per year.

How much do farm families in the Southeast spend for medical care? The figures in Table 1, summarized from a study of family expenditures in 1935 by the Bureau of Home Economics, USDA, show what is spent by white and Negro farm families,

4/ U. S. Department of Agriculture, "What Families Spend for Medical Care," 1944.







both operators and sharecroppers, at different income levels. Fourteen percent of the families were in income groups whose average family expenditures, excluding the value of farm furnished goods, exceeded \$625 a year. Seven percent of the families were in income groups whose average family expense for medical care exceeded \$50 per year. All families in both the 14 and 7 percent groups were those of white operators. All families in groups averaging more than \$50 for medical care had incomes of \$2000 or more. Low income Negro groups averaged as little as \$8 per family per year for medical care including expenses for doctors, dentists, medicines, drugs, nursing, hospitals, and health insurance. None of these families were on relief during 1935 and less than 3 percent of them received any free medical care. There was no apparent tendency to assign a smaller proportion of the family budget to medical care as income decreased. For all income levels whites paid 8 percent and Negroes 6 percent of their family living expenses for medical care.

What is the distribution of the costs of medical care? The preceding analysis discusses expenditures by the average family and assumes that the average expenditure would satisfy the needs of this family. It is obvious that the incidence of medical expenses is not evenly distributed. Many families will have very low costs in any one year or even, if they are fortunate, over a number of years. The Jones family, however, may have a diabetic needing continual treatment, an appendectomy, and a baby all in one year. The question immediately arises as to what is the distribution of costs. It is stated that 68 percent of our families incur 23 percent of the cost of medical care while 5 percent of the families pay 21 percent. What do these figures mean when interpreted in the light of an average cost of medical care of \$50 per family? Assuming 100 families average \$50 for medical care, the total expense to these families would be \$5000. Sixty-eight of the families would pay a total of \$1,150 or about \$17 per family. Five of the families would pay a total of \$1,050 or \$210 per family. It is obvious that many "catastrophic" illnesses in the Georgia-Mississippi farm families previously discussed must have been inadequately treated, particularly since the proportion of those receiving free medical care was so low. (In the case of Negro croppers, for example, only 1.6 percent of the families received any free care.) In fact, an expenditure of \$210 would exceed the total expenditures for family living of approximately 29 percent of the families sampled.

The appalling gap between the expenditures necessary for adequate care and ability to pay requires no further comment. The responsibility for devising means to close this gap is the joint responsibility of those who formulate social and economic programs, the medical profession, and the people.



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Table 1.- Expenditures for medical care in relation to family living expenditures.  
Georgia-Milledgeville Farm Families, 1935-36

Income level	Expenditures for medical care				Expenditures for family living			
	Number of expenditures	Number of families	Amount	Percent of family living	Number of expenditures	Number of families	Amount	Percent of family living
			Dollars	Dollars Percent			Dollars	Dollars Percent
<b>Operators</b>								
<b>All incomes</b>	1,257	655	51	8	511	283	19	6
0 to 249	8	249	18	7	31	144	8	6
250 to 499	168	187	15	8	170	162	12	7
500 to 749	300	289	25	9	147	268	13	7
750 to 999	240	417	37	9	91	411	23	6
1,000 to 1,249	142	532	41	8	47	496	32	6
1,250 to 1,499	102	691	47	7	17	361	34	6
1,500 to 1,749	62	781	39	5				
1,750 to 1,999	46	349	49	6				
2,000 to 2,499	41	1,135	100	9				
2,500 to 2,999	45	1,364	94	7				
3,000 to 3,999	38	1,782	279	16				
4,000 to 4,999	24	2,057	143	7				
5,000 to 5,999	23	3,074	214	7				
6,000 to 6,999	14	4,137	146	3				
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